

LAKE TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

MARCH 31, 2004

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

|   |                                |   |                            |
|---|--------------------------------|---|----------------------------|
| Local Government Type<br><input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other |                                | Local Government Name<br><b>Lake Township</b> | County<br><b>Missaukee</b> |
| Audit Date<br><b>3/31/04</b>  | Opinion Date<br><b>5/13/04</b> | Date Accountant Report Submitted to State:    |                            |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

|   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   | ✓        |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 | ✓            |
| Single Audit Reports (ASLGU).   |          |                 | ✓            |

|   |                         |                        |                     |
|---|-------------------------|------------------------|---------------------|
| Certified Public Accountant (Firm Name)<br><b>Baird, Cotter and Bishop, P.C.</b>                            |                         |                        |                     |
| Street Address<br><b>134 W. Harris Street</b>   | City<br><b>Cadillac</b> | State<br><b>MI</b>     | ZIP<br><b>49601</b> |
| Accountant Signature<br> |                         | Date<br><b>7/21/04</b> |                     |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

MARCH 31, 2004

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LAKE CITY, MICHIGAN

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M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

*Baird, Cotter and Bishop, P.C.*

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

May 13, 2004

INDEPENDENT AUDITORS' REPORT

To the Township Board  
Lake Township  
Missaukee County  
Lake City, Michigan

We have audited the accompanying general-purpose financial statements of Lake Township, Missaukee County, Lake City, Michigan as of and for the year ended March 31, 2004, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Township. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general-purpose financial statements referred to above do not include the defined contribution pension plan, which should be included in order to conform with generally accepted accounting principles. The amounts that should be reported in the defined contribution pension plan are not known.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Lake Township, Missaukee County, Lake City, Michigan as of March 31, 2004, and the results of its operations and cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as "Financial Statements of Individual Funds" and "Other Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the examination of the general-purpose financial statements, and in our opinion, it is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter and Bishop, P.C.

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

COMBINED BALANCE SHEET

ALL FUND TYPES AND ACCOUNT GROUPS  
MARCH 31, 2004

|   | GOVERNMENTAL FUND TYPES |                    |                 |
|---|-------------------------|--------------------|-----------------|
|   | GENERAL                 | SPECIAL<br>REVENUE | DEBT<br>SERVICE |
| <u>ASSETS AND OTHER DEBITS</u>                                    |                         |                    |                 |
| <u>ASSETS</u>   |                         |                    |                 |
| Cash  |                         |                    |                 |
| Commercial Account  | \$ 2,000                | \$ 0               | \$ 0            |
| Money Market Account  | 143,467                 | 298,336            | 194,334         |
| Taxes Receivable  | 10,198                  | 3,880              | 0               |
| Interfund Receivable  | 5,730                   | 151,455            | 0               |
| Special Assessments Receivable                                    | 0                       | 0                  | 538,074         |
| Accounts Receivable   | 0                       | 0                  | 0               |
| Land and Land Improvements  | 0                       | 0                  | 0               |
| Buildings   | 0                       | 0                  | 0               |
| Equipment   | 0                       | 0                  | 0               |
| Restricted Assets   |                         |                    |                 |
| Money Market Accounts   | 0                       | 0                  | 0               |
| Fixed Assets (Sewer Fund)   |                         |                    |                 |
| Net of Accumulated Depreciation                                   | 0                       | 0                  | 0               |
| <u>OTHER DEBITS</u>   |                         |                    |                 |
| Amount Available in Debt Service Funds                            | 0                       | 0                  | 0               |
| Amount to be Provided for Retirement<br>of General Long-Term Debt | 0                       | 0                  | 0               |
| <br>TOTAL ASSETS AND OTHER DEBITS                                 | <br>\$ 161,395          | <br>\$ 453,671     | <br>\$ 732,408  |



EXHIBIT A

| PROPRIETARY<br>FUND TYPE | FIDUCIARY<br>FUND TYPE | ACCOUNT GROUPS          |                     | TOTALS              |
|--------------------------|------------------------|-------------------------|---------------------|---------------------|
|                          |                        | GENERAL<br>FIXED ASSETS | GENERAL             |                     |
|                          |                        |                         | LONG-TERM<br>DEBT   |                     |
| SEWER<br>FUND            | AGENCY                 |                         |                     |                     |
| \$ 4,929                 | \$ 34                  | \$ 0                    | \$ 0                | \$ 6,963            |
| 0                        | 4,963                  | 0                       | 0                   | 641,100             |
| 0                        | 0                      | 0                       | 0                   | 14,078              |
| 0                        | 0                      | 0                       | 0                   | 157,185             |
| 0                        | 0                      | 0                       | 0                   | 538,074             |
| 7,362                    | 0                      | 0                       | 0                   | 7,362               |
| 0                        | 0                      | 9,083                   | 0                   | 9,083               |
| 0                        | 0                      | 45,040                  | 0                   | 45,040              |
| 0                        | 0                      | 31,793                  | 0                   | 31,793              |
| 45,337                   | 0                      | 0                       | 0                   | 45,337              |
| 3,901,060                | 0                      | 0                       | 0                   | 3,901,060           |
| 0                        | 0                      | 0                       | 230,158             | 230,158             |
| 0                        | 0                      | 0                       | 789,842             | 789,842             |
| <u>\$ 3,958,688</u>      | <u>\$ 4,997</u>        | <u>\$ 85,916</u>        | <u>\$ 1,020,000</u> | <u>\$ 6,417,075</u> |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

COMBINED BALANCE SHEET

ALL FUND TYPES AND ACCOUNT GROUPS  
MARCH 31, 2004

|  | GOVERNMENTAL FUND TYPES |                    |                 |
|--|-------------------------|--------------------|-----------------|
|  | GENERAL                 | SPECIAL<br>REVENUE | DEBT<br>SERVICE |
| <u>LIABILITIES, EQUITY AND OTHER CREDITS</u>   |                         |                    |                 |
| <u>LIABILITIES</u>                             |                         |                    |                 |
| Accounts Payable                               | \$ 1,660                | \$ 0               | \$ 0            |
| Interfund Payable                              | 0                       | 0                  | 733             |
| Deferred Revenue                               | 163                     | 62                 | 501,517         |
| Bonds Payable                                  | 0                       | 0                  | 0               |
| Total Liabilities                              | \$ 1,823                | \$ 62              | \$ 502,250      |
| <u>EQUITY AND OTHER CREDITS</u>                |                         |                    |                 |
| Investment in General Fixed Assets             | \$ 0                    | \$ 0               | \$ 0            |
| Contributed Capital                            | 0                       | 0                  | 0               |
| Retained Earnings                              | 0                       | 0                  | 0               |
| Balance  |                         |                    |                 |
| Reserved for:                                  |                         |                    |                 |
| Debt Service                                   | 0                       | 0                  | 230,158         |
| Fire Protection                                | 0                       | 47,133             | 0               |
| Unreserved                                     |                         |                    |                 |
| Designated for Township Improvements           | 0                       | 406,476            | 0               |
| Undesignated                                   | 159,572                 | 0                  | 0               |
| Total Equity and Other Credits                 | \$ 159,572              | \$ 453,609         | \$ 230,158      |
| TOTAL LIABILITIES, EQUITY<br>AND OTHER CREDITS | \$ 161,395              | \$ 453,671         | \$ 732,408      |

The accompanying notes are an integral part of these financial statements.

EXHIBIT A

| PROPRIETARY<br>FUND TYPE | FIDUCIARY<br>FUND TYPE | ACCOUNT GROUPS          |                     | TOTALS              |
|--------------------------|------------------------|-------------------------|---------------------|---------------------|
|                          |                        | GENERAL<br>FIXED ASSETS | GENERAL             |                     |
|                          |                        |                         | LONG-TERM<br>DEBT   |                     |
| SEWER<br>FUND            | AGENCY                 |                         |                     |                     |
| \$ 1,240                 | \$ 0                   | \$ 0                    | \$ 0                | \$ 2,900            |
| 151,455                  | 4,997                  | 0                       | 0                   | 157,185             |
| 1,989                    | 0                      | 0                       | 0                   | 503,731             |
| 0                        | 0                      | 0                       | 1,020,000           | 1,020,000           |
| <u>\$ 154,684</u>        | <u>\$ 4,997</u>        | <u>\$ 0</u>             | <u>\$ 1,020,000</u> | <u>\$ 1,683,816</u> |
| \$ 0                     | \$ 0                   | \$ 85,916               | \$ 0                | \$ 85,916           |
| 3,461,514                | 0                      | 0                       | 0                   | 3,461,514           |
| 342,490                  | 0                      | 0                       | 0                   | 342,490             |
| 0                        | 0                      | 0                       | 0                   | 230,158             |
| 0                        | 0                      | 0                       | 0                   | 47,133              |
| 0                        | 0                      | 0                       | 0                   | 406,476             |
| 0                        | 0                      | 0                       | 0                   | 159,572             |
| <u>\$ 3,804,004</u>      | <u>\$ 0</u>            | <u>\$ 85,916</u>        | <u>\$ 0</u>         | <u>\$ 4,733,259</u> |
| <u>\$ 3,958,688</u>      | <u>\$ 4,997</u>        | <u>\$ 85,916</u>        | <u>\$ 1,020,000</u> | <u>\$ 6,417,075</u> |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED MARCH 31, 2004

|   | GOVERNMENTAL FUND TYPES |                    |                 | TOTALS<br>(MEMORANDUM<br>ONLY) |
|---|-------------------------|--------------------|-----------------|--------------------------------|
|   | GENERAL                 | SPECIAL<br>REVENUE | DEBT<br>SERVICE |                                |
| <u>REVENUES</u>                                 |                         |                    |                 |                                |
| Taxes   | \$ 118,501              | \$ 44,316          | \$ 0            | \$ 162,817                     |
| State Grants                                    | 169,191                 | 0                  | 0               | 169,191                        |
| Charges for Services                            | 870                     | 0                  | 0               | 870                            |
| Interest and Rents                              | 1,376                   | 3,406              | 4,934           | 9,716                          |
| Other Receipts                                  | 8,692                   | 0                  | 187,459         | 196,151                        |
| Total Revenues                                  | \$ 298,630              | \$ 47,722          | \$ 192,393      | \$ 538,745                     |
| <u>EXPENDITURES</u>                             |                         |                    |                 |                                |
| Legislative                                     |                         |                    |                 |                                |
| Township Board                                  | \$ 16,787               | \$ 0               | \$ 0            | \$ 16,787                      |
| General Government                              |                         |                    |                 |                                |
| Supervisor                                      | 11,251                  | 0                  | 0               | 11,251                         |
| Assessor  | 38,975                  | 0                  | 0               | 38,975                         |
| Attorney  | 9,860                   | 0                  | 0               | 9,860                          |
| Clerk   | 14,896                  | 0                  | 0               | 14,896                         |
| Board of Review                                 | 1,030                   | 0                  | 0               | 1,030                          |
| Treasurer                                       | 29,034                  | 0                  | 0               | 29,034                         |
| Township Hall and Grounds                       | 3,327                   | 0                  | 0               | 3,327                          |
| Cemetery  | 7,945                   | 0                  | 0               | 7,945                          |
| Conservation Activities                         | 7,859                   | 0                  | 0               | 7,859                          |
| Public Safety                                   | 2,485                   | 23,509             | 0               | 25,994                         |
| Public Works                                    | 51,339                  | 0                  | 0               | 51,339                         |
| Recreation and Cultural                         | 1,350                   | 0                  | 0               | 1,350                          |
| Debt Service                                    | 0                       | 0                  | 1,267,570       | 1,267,570                      |
| Other Functions                                 | 14,208                  | 0                  | 0               | 14,208                         |
| Total Expenditures                              | \$ 210,346              | \$ 23,509          | \$ 1,267,570    | \$ 1,501,425                   |
| Excess of Revenues Over<br>(Under) Expenditures | \$ 88,284               | \$ 24,213          | \$ (1,075,177)  | \$ (962,680)                   |

The accompanying notes are an integral part of these financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED MARCH 31, 2004

|   | GOVERNMENTAL FUND TYPES |                    |                 | TOTALS               |
|---|-------------------------|--------------------|-----------------|----------------------|
|   | GENERAL                 | SPECIAL<br>REVENUE | DEBT<br>SERVICE | (MEMORANDUM<br>ONLY) |
| <u>OTHER FINANCING SOURCES (USES)</u>   |                         |                    |                 |                      |
| Operating Transfers In  | \$ 0                    | \$ 100,000         | \$ 260,000      | \$ 360,000           |
| Operating Transfers Out   | (100,000)               | 0                  | 0               | (100,000)            |
| Total Other Financing<br>Sources (Uses)   | \$ (100,000)            | \$ 100,000         | \$ 260,000      | \$ 260,000           |
| Excess of Revenues and<br>Other Sources Over (Under)<br>Expenditures and Other Uses | \$ (11,716)             | \$ 124,213         | \$ (815,177)    | \$ (702,680)         |
| <u>FUND BALANCE</u> - Beginning of Year   | 171,288                 | 329,396            | 1,045,335       | 1,546,019            |
| <u>FUND BALANCE</u> - End of Year   | \$ 159,572              | \$ 453,609         | \$ 230,158      | \$ 843,339           |

The accompanying notes are an integral part of these financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

GENERAL AND SPECIAL REVENUE FUND TYPES  
FOR THE YEAR ENDED MARCH 31, 2004

|   | GENERAL FUND |            |   |
|---|--------------|------------|---|
|   | BUDGET       | ACTUAL     | VARIANCE-<br>FAVORABLE<br>(UNFAVORABLE) |
| <u>REVENUES</u>                                 |              |            |   |
| Taxes   | \$ 111,000   | \$ 118,501 | \$ 7,501                                |
| State Grants                                    | 182,000      | 169,191    | (12,809)                                |
| Charges for Services                            | 1,000        | 870        | (130)                                   |
| Interest and Rents                              | 6,000        | 1,376      | (4,624)                                 |
| Other Receipts                                  | 300          | 8,692      | 8,392                                   |
| Total Revenues                                  | \$ 300,300   | \$ 298,630 | \$ (1,670)                              |
| <u>EXPENDITURES</u>                             |              |            |   |
| Legislative                                     |              |            |   |
| Township Board                                  | \$ 16,787    | \$ 16,787  | \$ 0                                    |
| General Government                              |              |            |   |
| Supervisor                                      | 11,450       | 11,251     | 199                                     |
| Election  | 2,000        | 0          | 2,000                                   |
| Assessor  | 40,710       | 38,975     | 1,735                                   |
| Attorney  | 10,098       | 9,860      | 238                                     |
| Clerk   | 15,850       | 14,896     | 954                                     |
| Board of Review                                 | 2,500        | 1,030      | 1,470                                   |
| Treasurer                                       | 33,050       | 29,034     | 4,016                                   |
| Township Hall and Grounds                       | 5,000        | 3,327      | 1,673                                   |
| Cemetery  | 8,800        | 7,945      | 855                                     |
| Conservation Activities                         | 8,500        | 7,859      | 641                                     |
| Public Safety                                   | 13,000       | 2,485      | 10,515                                  |
| Public Works                                    | 108,557      | 51,339     | 57,218                                  |
| Recreation and Cultural                         | 4,200        | 1,350      | 2,850                                   |
| Other Functions                                 | 20,148       | 14,208     | 5,940                                   |
| Total Expenditures                              | \$ 300,650   | \$ 210,346 | \$ 90,304                               |
| Excess of Revenues Over<br>(Under) Expenditures | \$ (350)     | \$ 88,284  | \$ 88,634                               |

EXHIBIT C

| SPECIAL REVENUE FUND TYPES |           |   |
|----------------------------|-----------|---|
| BUDGET                     | ACTUAL    | VARIANCE-<br>FAVORABLE<br>(UNFAVORABLE) |
| \$ 42,000                  | \$ 44,316 | \$ 2,316                                |
| 0                          | 0         | 0                                       |
| 0                          | 0         | 0                                       |
| 2,300                      | 3,406     | 1,106                                   |
| 0                          | 0         | 0                                       |
| <hr/>                      |           |   |
| \$ 44,300                  | \$ 47,722 | \$ 3,422                                |
| <hr/>                      |           |   |
| \$ 0                       | \$ 0      | \$ 0                                    |
| 0                          | 0         | 0                                       |
| 0                          | 0         | 0                                       |
| 0                          | 0         | 0                                       |
| 0                          | 0         | 0                                       |
| 0                          | 0         | 0                                       |
| 0                          | 0         | 0                                       |
| 0                          | 0         | 0                                       |
| 0                          | 0         | 0                                       |
| 0                          | 0         | 0                                       |
| 0                          | 0         | 0                                       |
| 41,000                     | 23,509    | 17,491                                  |
| 0                          | 0         | 0                                       |
| 0                          | 0         | 0                                       |
| 0                          | 0         | 0                                       |
| <hr/>                      |           |   |
| \$ 41,000                  | \$ 23,509 | \$ 17,491                               |
| <hr/>                      |           |   |
| \$ 3,300                   | \$ 24,213 | \$ 20,913                               |
| <hr/>                      |           |   |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

GENERAL AND SPECIAL REVENUE FUND TYPES  
FOR THE YEAR ENDED MARCH 31, 2004

|  | GENERAL FUND |              |   |
|--|--------------|--------------|---|
|  | BUDGET       | ACTUAL       | VARIANCE-<br>FAVORABLE<br>(UNFAVORABLE) |
| <u>OTHER FINANCING SOURCES (USES)</u>  |              |              |   |
| Operating Transfer In  | \$ 0         | \$ 0         | \$ 0                                    |
| Operating Transfer Out   | (10,000)     | (100,000)    | (90,000)                                |
| Total Other Financing Sources (Uses)   | \$ (10,000)  | \$ (100,000) | \$ (90,000)                             |
| Excess of Revenues and Other Sources Over<br>(Under) Expenditures and Other Uses | \$ (10,350)  | \$ (11,716)  | \$ (1,366)                              |
| <u>FUND BALANCE</u> - Beginning of Year  | 180,000      | 171,288      | (8,712)                                 |
| <u>FUND BALANCE</u> - End of Year  | \$ 169,650   | \$ 159,572   | \$ (10,078)                             |

The accompanying notes are an integral part of these financial statements.



EXHIBIT C

| SPECIAL REVENUE FUND TYPES |                 |   |
|----------------------------|-----------------|---|
| BUDGET                     | ACTUAL          | VARIANCE-<br>FAVORABLE<br>(UNFAVORABLE) |
| \$ 10,000<br>0             | \$ 100,000<br>0 | \$ 90,000<br>0                          |
| \$ 10,000                  | \$ 100,000      | \$ 90,000                               |
| \$ 13,300                  | \$ 124,213      | \$ 110,913                              |
| 229,000                    | 329,396         | 100,396                                 |
| \$ 242,300                 | \$ 453,609      | \$ 211,309                              |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
SEWER FUND

FOR THE YEAR ENDED MARCH 31, 2004

OPERATING REVENUES

|                          |            |
|--------------------------|------------|
| Charges for Services     |            |
| Sewer Use Charges        | \$ 89,290  |
| Connection Charges       | 31,575     |
| Trunkage Fees            | 3,100      |
| Other Receipts           |            |
| Land Rent                | 3,500      |
| Reimbursements           | 144        |
| Miscellaneous            | 2,216      |
|                          | <hr/>      |
| Total Operating Revenues | \$ 129,825 |

OPERATING EXPENSES

|                                  |           |
|----------------------------------|-----------|
| Administration and General       |           |
| Personal Services                |           |
| Salaries and Wages               | \$ 3,248  |
| Supplies                         |           |
| Office Supplies                  | 1,003     |
| Other Services and Charges       |           |
| Insurance                        | 9,078     |
| Bank Fees                        | 55        |
|                                  | <hr/>     |
| Total Administration and General | \$ 13,384 |
| Plant                            |           |
| Personal Services                |           |
| Salaries and Wages               | \$ 44,342 |
| Fringe Benefits                  | 13,743    |
| Supplies                         |           |
| Operating Supplies               | 4,784     |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
PROPRIETARY FUND TYPE  
SEWER FUND

FOR THE YEAR ENDED MARCH 31, 2004

|  |                  |
|--|------------------|
| Other Services and Charges   |                  |
| Lab Analysis   | 4,140            |
| Utilities  | 17,467           |
| Repairs and Maintenance  | 3,409            |
| Contracted Services  | 8,799            |
| Step Units   | 6,998            |
| Miscellaneous  | 2,618            |
| Depreciation   | 90,606           |
|  | <hr/>            |
| Total Plant  | \$ 196,906       |
|  | <hr/>            |
| Total Operating Expenses   | \$ 210,290       |
|  | <hr/>            |
| Operating Income (Loss)  | \$ (80,465)      |
| <u>OPERATING TRANSFER (OUT)</u>  |                  |
| Sewer Project #4   | (260,000)        |
| <u>NONOPERATING REVENUE (EXPENSE)</u>  |                  |
| Interest Earnings  | 2,076            |
| Interest Expense   | (1,397)          |
|  | <hr/>            |
| Net Income (Loss)  | \$ (339,786)     |
| Depreciation on Fixed Assets Acquired by Grants and<br>Shared Revenues Externally Restricted for Capital<br>Acquisition and Construction that Reduces<br>Contributed Capital | <hr/> 87,089     |
| Increase (Decrease) in Retained Earnings   | \$ (252,697)     |
| <u>RETAINED EARNINGS - Beginning of Year</u>   | <hr/> 595,187    |
| <u>RETAINED EARNINGS - End of Year</u>   | <hr/> \$ 342,490 |

The accompanying notes are an integral part of these financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE

SEWER FUND  
FOR THE YEAR ENDED MARCH 31, 2004

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

|  |             |
|--|-------------|
| Operating Income (Loss)                      | \$ (80,465) |
| Adjustments to Reconcile Operating Income to |             |
| Cash Provided by Operating Activities        |             |
| Depreciation                                 | 90,606      |
| (Increase) in Accounts Receivable            | (7,362)     |
| Decrease in Accounts Payable                 | (1,311)     |
| Increase in Deferred Revenue                 | 1,989       |
| Increase in Due to Other Funds               | 151,455     |

Net Cash Provided (Used) by Operating Activities \$ 154,912

Cash Flows from Noncapital Financing Activities:

Transfer to Sewer Project #4 \$ (260,000)

Cash Flows from (Used) by Capital and Related Financing Activities:

Construction (356,499)

Cash Flows from Investing Activities:

Interest Income 2,076

Interest Expense (1,397)

Net Increase (Decrease) in Cash and Cash Equivalents \$ (460,908)

CASH AND CASH EQUIVALENTS - Beginning of Year 511,174

CASH AND CASH EQUIVALENTS - End of Year \$ 50,266

The accompanying notes are an integral part of these financial statements.

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Lake Township is a general law township located in Missaukee County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The Township has the following fund types and account groups:

**Governmental funds** are used to account for the Township's general government activities. Governmental fund types use the flow of financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes and interest are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the Township and are recognized as revenue at that time. Entitlements are shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met.

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

Governmental funds include the following fund types:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including expandable trusts or major capital projects).

The Debt Service Funds account for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

**Proprietary Funds** are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The government applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, which case, GASB prevails. Proprietary funds include the following fund type:

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the governing body has decided that the monitoring of receipts and disbursements is necessary for management accountability. Also, the Enterprise Fund reports fixed assets of the Sewer System and records appropriate depreciation expense.

**Fiduciary funds** account for assets held by the Township in a trustee capacity or as an agent on behalf of others.

The Current Tax Collection Fund is an agency fund and is custodial in nature. It does not present results of operation or have a measurement focus. The agency fund also uses the modified accrual basis of accounting. This fund is used to account for property tax collections which the township makes and distributes for others in an agency capacity.

**Account Groups.** The General Fixed Asset Account Group is used to account for fixed assets not accounted for in proprietary or trust funds. The General Long-Term Debt Account Group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

**C. Assets, Liabilities and Equity**

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board authorizes the Township Treasurer to invest funds as follows:

The Treasurer may invest Township funds in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law. The standard of prudence to be used shall be the "fiduciary" standard and shall be applied in context of managing an overall portfolio.

The prior approval of the Township Board, shall be required for the Treasurer to invest in any other lawful investment instruments. The Township Board's standard of prudence shall be the "fiduciary" standard, which shall be applied in context of managing an overall portfolio. The Township Board may authorize the Treasurer to invest in the following:

Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

Repurchase agreements consisting of instruments listed above.

Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.

Bankers' acceptances of United States banks.

Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.

Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

- (1) The purchase of securities on a when-issued or delayed delivery basis.
- (2) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
- (3) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.

Obligations described above if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.

Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.110 to 129.118.

The investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

2. Receivables and Payables

All outstanding balances between funds at the end of the fiscal year are reported as "Due To/From Other Funds".

3. Short-Term Interfund Receivables/Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

4. Restricted Assets

The \$45,337 restricted assets in the Sewer Fund represent monies required to be set aside and accounted for separately by provisions of the sewer rate ordinance and sanitary drain operation agreement.



LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

5. Fixed Assets

Fixed assets used in governmental fund types (general fixed assets) are accounted for in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included in the general fixed assets account group or capitalized in the proprietary fund.

Property, plant and equipment in the proprietary fund of the Township are recorded at cost. Property, plant and equipment donated to these proprietary fund type operations are recorded at their estimated fair value at the date of donation.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment are depreciated in the proprietary fund of the Township using the straight-line method over the following estimated useful lives:

|               |             |
|---------------|-------------|
| Sewer Systems | 50 Years    |
| Equipment     | 10-15 Years |

6. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The proprietary fund's contributed capital represents equity acquired through capital grants and capital contributions from developers, customers or other funds.

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

7. Use of Estimates

This presentation of financial statements on the modified accrual basis of accounting requires the Township to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

8. Long-Term Obligations

The government reports long-term debt of governmental funds at face value in the general long-term debt account group. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

9. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**A. Budgetary Information**

The annual budgets are adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on March 20, 2003, or as amended by the Township Board from time to time throughout the year.

The appropriated budgets are prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Township's deposits and investments are owned by several of the Township's funds. A total of \$488,549 of the Township's \$1,033,841 of total bank investments and deposits are in accounts which exceed Federal depository insurance and are uncollateralized. The remaining \$545,292 of bank deposits and investments are in separate accounts which are fully insured. All bank deposits and investments are in the Chemical Bank West, Lake City, Michigan and Fifth Third Bank, Cadillac, Michigan. At year-end, the carrying amount of the Township's deposits was \$693,400 and the bank balance was \$1,033,841.

The carrying amount of the Township's deposits and investments at year-end are shown below:

|                                      | BANK DEPOSITS          |                          |
|--------------------------------------|------------------------|--------------------------|
|                                      | COMMERCIAL<br>ACCOUNTS | MONEY MARKET<br>ACCOUNTS |
| General Fund                         | \$ 2,000               | \$ 143,467               |
| Fire Fund                            | 0                      | 43,315                   |
| Improvement Revolving Fund           | 0                      | 255,021                  |
| Debt Service - Sewer Project #2 Fund | 0                      | 1,047                    |
| Debt Service - Sewer Project #3 Fund | 0                      | 19,520                   |
| Debt Service - Sewer Project #4 Fund | 0                      | 173,767                  |
| Sewer Operation and Maintenance Fund | 4,929                  | 45,337                   |
| Current Tax Collection Fund          | 34                     | 4,963                    |
|                                      | <u>\$ 6,963</u>        | <u>\$ 686,437</u>        |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

**B. Fixed Assets**

Activity in the general fixed assets account group for the Township for the year ended March 31, 2004, was as follows:

|                             | BALANCE<br>4/1/03 | ADDITIONS   | DELETIONS   | BALANCE<br>3/31/04 |
|-----------------------------|-------------------|-------------|-------------|--------------------|
| <u>GENERAL FIXED ASSETS</u> |                   |             |             |                    |
| Land                        | \$ 9,083          | \$ 0        | \$ 0        | \$ 9,083           |
| Buildings                   | 45,040            | 0           | 0           | 45,040             |
| Equipment                   | 31,793            | 0           | 0           | 31,793             |
|                             | <u>\$ 85,916</u>  | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 85,916</u>   |

**C. Debt Service Fund - Sewer Project #2**

A special assessment roll was levied July 1, 1985, to generate monies to finance the construction of an addition to the Missaukee Sanitary Drain No. 1 and Branches Drainage District. The total amount of the roll was \$237,100. On June 14, 1986, the special assessment roll was revised and increased to \$262,350 due to an increase in the basic charge per buildable lot and an increase in the connection charge. Each assessment is due and payable over a period of twenty years with interest at 9.20%. At March 31, 2004, total special assessments receivable amounted to \$1,528. Of this total, \$1,528 has been recognized in the Sewer Project #2 balance sheet as Special Assessments Receivable.

**D. Debt Service Fund - Sewer Project #3**

A special assessment roll was levied December 1, 1990 to generate monies to finance the construction of an addition to the Missaukee Sanitary Drain No. 1 and Branches Drainage District. The total amount of the roll was \$634,225. Each assessment is due and payable over a period of twenty years with interest at 8.00%. At March 31, 2004, total special assessments receivable amounted to \$17,113. Of this total, \$17,113 has been recognized in the Sewer Project #3 balance sheet as Special Assessments Receivable. Deferred Revenue of \$16,323 has been recognized also. The difference of \$790 represents delinquent assessments which were placed on the 2003 tax roll and remain expect to be collected within 60 days of year end.

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

**E. Debt Service Fund - Sewer Project #4**

A special assessment roll was levied in July of 1992 to generate monies to finance the construction of the Missaukee Sanitary Drain No. 2. The total amount of the roll was \$3,625,938. Each assessment is due and payable over a period of twenty years with interest of 6.20%. At March 31, 2004, total special assessments receivable amounted to \$519,433. Of this total, \$519,433 has been recognized in the Sewer Project #4 balance sheet as Special Assessment Receivable. Deferred Revenue of \$485,194 has been recognized also. The difference of \$34,239 represents \$13,526 of delinquent assessments which were placed on the 2003 tax roll and expect to be collected within 60 days of year end and \$20,713 of current special assessments receivable.

**F. Long-Term Debt**

The following is a summary of the long-term debt transactions of the Township for the year ended March 31, 2004:

|  |                         |
|--|-------------------------|
| <u>LONG-TERM DEBT</u> - April 1, 2003      | \$ 2,137,038            |
| Increase in Long-Term Debt                 | 0                       |
| Reduction in Long-Term Debt                | <u>1,117,038</u>        |
| <br><u>LONG-TERM DEBT</u> - March 31, 2004 | <br><u>\$ 1,020,000</u> |

The Township's long-term debt consists of the following:

Special Assessment Bonds

|  |                         |
|--|-------------------------|
| 1991 Lake Township Trunkline Extension No. 1 Sanitary Drainage District Bonds;<br>due in annual installments of \$30,000 each May 1; interest at 7.25% | \$ 60,000               |
| <br>1993 Missaukee Sanitary Drainage District No. 2 Drain Bonds; due in annual<br>installments of \$40,000 to \$240,000 each May 1; interest at 5.00%  | <br><u>960,000</u>      |
|  | <br><u>\$ 1,020,000</u> |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

The annual requirements to amortize the long-term debt outstanding as of March 31, 2004, including interest of \$310,350 follows:

| <u>YEAR ENDED</u><br><u>MARCH 31,</u> | <u>AMOUNTS</u>      |
|---------------------------------------|---------------------|
| 2005                                  | \$ 52,350           |
| 2006                                  | 52,350              |
| 2007                                  | 52,350              |
| 2008                                  | 91,350              |
| 2009                                  | 269,725             |
| 2010-2012                             | 812,225             |
|                                       | <u>\$ 1,330,350</u> |

**G. Interfund Receivables and Payables**

Interfund receivables and payables as shown in the individual fund financial statements at March 31, 2004 were:

|                                      | <u>INTERFUND</u><br><u>RECEIVABLE</u> | <u>INTERFUND</u><br><u>PAYABLE</u> |
|--------------------------------------|---------------------------------------|------------------------------------|
| General Fund                         | \$ 5,730                              | \$ 0                               |
| Debt Service - Sewer Project #2 Fund | 0                                     | 733                                |
| Sewer Fund                           | 0                                     | 151,455                            |
| Improvement Revolving Fund           | 151,455                               | 0                                  |
| Current Tax Collection Fund          | 0                                     | 4,997                              |
|                                      | <u>\$ 157,185</u>                     | <u>\$ 157,185</u>                  |

The Sewer Project #2 Fund agrees to payback the General Fund from future special assessment collections plus interest at 3%.

The Sewer Fund agrees to payback the Building Improvement Revolving Fund from future collections plus interest at 2%.

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

**H. Contributed Capital**

During the year, contributed capital changed by the following amounts:

|  | <u>SEWER<br/>FUND</u> |
|--|-----------------------|
| Contributed Capital, April 1, 2003                               | \$ 3,548,603          |
| Government - Sewers, Mains and<br>Land Improvements Depreciation | <u>(87,089)</u>       |
| Contributed Capital, March 31, 2004                              | \$ <u>3,461,514</u>   |

**IV. OTHER INFORMATION**

**A. Property Taxes**

The Township levied 1.2358 mills for general operating purposes on a state taxable valuation of \$94,284,905 on the 2003 tax roll. In addition, the Township levied 0.4703 mills for fire protection.

Properties are assessed January 1, and the related property taxes become a lien on December 1 of the same year. These taxes are due on or before February 14 with a final collection date of February 28, before they are added to the county tax rolls. Property taxes levied December 1 which are collected prior to the end of the Township's fiscal year, are recognized as income in the year in which they are levied.

**B. Interest Income and Expense**

For the year ended March 31, 2004, interest income and expense was as follows:

|                                      | <u>INTEREST</u>  |                   |
|--------------------------------------|------------------|-------------------|
|                                      | <u>INCOME</u>    | <u>EXPENSE</u>    |
| General Fund                         | \$ 1,376         | \$ 0              |
| Fire Fund                            | 57               | 0                 |
| Improvement Revolving Fund           | 3,349            | 0                 |
| Debt Service - Sewer Project #2 Fund | 13               | 141               |
| Debt Service - Sewer Project #3 Fund | 750              | 14,113            |
| Debt Service - Sewer Project #4 Fund | 4,171            | 118,444           |
| Sewer Operation and Maintenance Fund | <u>2,076</u>     | <u>1,397</u>      |
| TOTAL                                | \$ <u>11,792</u> | \$ <u>134,095</u> |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

**C. Lake Missaukee Area Fire Authority**

The Lake Missaukee Area Fire Authority is a joint venture by and between the City of Lake City and the townships of Caldwell, Forest, Lake, Pioneer, and Reeder. This joint venture was created to provide fire protection for the listed governments. Each municipality pays an annual base amount equal to one-half of one mill of taxable value of the real property located in the areas of the municipality covered by this agreement. In addition, the Township pays \$450 per fire run within the Township.

In addition to the annual contribution, each township is required to contribute monies in order to construct a fire station and purchase fire equipment.

For the year ended March 31, 2004, the Township contributed a total of \$25,309 to the Fire Authority, of which \$1,800 was for fire runs within the Township.

The following financial information was taken from the Fire Authority's March 31, 2003 audited financial statements:

|   |              |
|---|--------------|
| Total Assets                            | \$ 1,232,533 |
| Investment in Fixed Assets              | 1,172,223    |
| General Long-Term Debt                  | 20,839       |
| Fund Balance - Unreserved               | 39,471       |
| Total Receipts                          | 104,141      |
| Total Disbursements                     | 111,817      |
| Net Increase (Decrease) in Fund Balance | (7,676)      |

A copy of these audited financial statements may be obtained upon request from the Fire Authority Treasurer.

**D. Retirement Plan**

The Township has a defined contribution pension plan with Municipal Retirement Systems, Inc., which covers Township employees who have satisfied the eligibility requirements. Each employee becomes eligible for coverage on the first policy anniversary date after the employee reaches age 18. An employee's normal retirement date is age 65 or the 5th anniversary of the first day of the plan year in which participation in the plan is commenced.



LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

The formula for determining contributions is based on an employee's annual compensation. Annual compensation is based on compensation which coincides with the calendar year coinciding with or ending within the plan year. Plan year is April 1st to March 31st of the following year. The Township has elected to contribute 12% of compensation to the plan annually. Past service credit is calculated as 3% of current compensation for each year of past service to a maximum of 10 years.

Township contributions to the plan for 2003-04 plan year amounted to \$11,290. Of the \$11,290 in contributions, \$5,467 was paid out of the Sewer Fund. In addition, the Township paid \$175 in service fees. Total wages for those covered under the plan was \$94,079 and total wages for the employees including non-covered payroll was \$97,374.

**E. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions, and worker's compensation insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continued to carry insurance for other risks of loss, including fidelity bonds.

**F. Township Obligation for Special Assessment Debts**

The Township has special assessment bonds payable totaling \$1,020,000. In the event that money required to pay such debt is not collected from special assessments assessed against property owners, the Township is obligated to make payment from its own funds. The Township currently has cash and investments totaling \$194,334 to be used for retirement of these bonds. This amount is on deposit in the Special Assessment Debt Retirement Funds.

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2004

**G. Financing Arrangement**

On May 12, 2000, the Township borrowed \$114,000 from Chemical Bank West due in annual installments of \$26,463 including interest at 5.18% through May 12, 2004. The proceeds of this loan were used to purchase two tanker trucks for the Lake Missaukee Area Fire Authority. The Lake Missaukee Area Fire Authority is purchasing these trucks from the Township through an installment sales contract which has the same terms as the Township's loan from the bank. The Fire Authority is making its payments directly to the bank on behalf of the Township. The assets and debt associated with the assets are not shown on the Township records. The purchase of the trucks by the Fire Authority is shown in the Fire Authority's general fixed assets group of accounts, and the long-term debt is shown in the Fire Authority's general long-term debt group of accounts.

**H. Change in Basis of Accounting**

In anticipation of implementing GASB 34, the Township changed its basis of accounting from modified cash to modified accrual for the year ending March 31, 2004.

**I. Transfers In and Out**

Operating transfers in and out as presented on Exhibits B and D can be reconciled as follows:

|           | TRANSFERS<br>IN   | TRANSFERS<br>OUT  |
|-----------|-------------------|-------------------|
| Exhibit B | \$ 360,000        | \$ 100,000        |
| Exhibit D | 0                 | 260,000           |
|           | <u>\$ 360,000</u> | <u>\$ 360,000</u> |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

GENERAL FUND

BALANCE SHEET  
MARCH 31, 2004

ASSETS

|                       |            |
|-----------------------|------------|
| Cash                  |            |
| Commercial Account    | \$ 2,000   |
| Money Market Accounts | 143,467    |
| Taxes Receivable      | 10,198     |
| Interfund Receivable  | 5,730      |
|                       | <hr/>      |
| TOTAL ASSETS          | \$ 161,395 |

LIABILITIES AND FUND BALANCE

LIABILITIES

|                   |          |
|-------------------|----------|
| Accounts Payable  | \$ 1,660 |
| Deferred Revenue  | 163      |
|                   | <hr/>    |
| Total Liabilities | 1,823    |

FUND BALANCE

|            |         |
|------------|---------|
| Unreserved | 159,572 |
|            | <hr/>   |

|                                    |            |
|------------------------------------|------------|
| TOTAL LIABILITIES AND FUND BALANCE | \$ 161,395 |
|------------------------------------|------------|

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

|  | BUDGET     | ACTUAL     |
|--|------------|------------|
| <u>REVENUES</u>                              |            |            |
| Taxes  | \$ 111,000 | \$ 118,501 |
| State Grants                                 | 182,000    | 169,191    |
| Charges for Services                         | 1,000      | 870        |
| Interest and Rents                           | 6,000      | 1,376      |
| Other Revenues                               | 300        | 8,692      |
| Total Revenues                               | \$ 300,300 | \$ 298,630 |
| <u>EXPENDITURES</u>                          |            |            |
| Legislative                                  |            |            |
| Township Board                               | \$ 16,787  | \$ 16,787  |
| General Government                           |            |            |
| Supervisor                                   | 11,450     | 11,251     |
| Election                                     | 2,000      | 0          |
| Assessor                                     | 40,710     | 38,975     |
| Attorney                                     | 10,098     | 9,860      |
| Clerk  | 15,850     | 14,896     |
| Board of Review                              | 2,500      | 1,030      |
| Treasurer                                    | 33,050     | 29,034     |
| Building and Grounds                         | 5,000      | 3,327      |
| Cemetery                                     | 8,800      | 7,945      |
| Conservation Activities                      | 8,500      | 7,859      |
| Public Safety                                | 13,000     | 2,485      |
| Public Works                                 | 108,557    | 51,339     |
| Recreation and Cultural                      | 4,200      | 1,350      |
| Other Functions                              | 20,148     | 14,208     |
| Total Expenditures                           | \$ 300,650 | \$ 210,346 |
| Excess of Revenues Over (Under) Expenditures | \$ (350)   | \$ 88,284  |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

|  | <u>BUDGET</u>     | <u>ACTUAL</u>     |
|--|-------------------|-------------------|
| <u>OTHER FINANCING SOURCES (USES)</u>    |                   |                   |
| Operating Transfer In (Out)              |                   |                   |
| Township Improvement Revolving Fund      | \$ (10,000)       | \$ (100,000)      |
| Excess of Revenues and Other Sources     |                   |                   |
| Over (Under) Expenditures and Other Uses | \$ (10,350)       | \$ (11,716)       |
| <u>FUND BALANCE</u> - Beginning of Year  | <u>180,000</u>    | <u>171,288</u>    |
| <u>FUND BALANCE</u> - End of Year        | <u>\$ 169,650</u> | <u>\$ 159,572</u> |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES  
FOR THE YEAR ENDED MARCH 31, 2004

TAXES

|  |              |            |
|--|--------------|------------|
| Current Property Taxes                 | \$ 116,448   |            |
| Delinquent Property Taxes and Interest | 21           |            |
| Payments in Lieu of Taxes              |              |            |
| Swamp Tax                              | <u>2,032</u> |            |
| Total Taxes                            |              | \$ 118,501 |

STATE GRANTS

|                       |  |         |
|-----------------------|--|---------|
| State Revenue Sharing |  |         |
| Sales and Use Tax     |  | 169,191 |

CHARGES FOR SERVICES

|                                    |           |     |
|------------------------------------|-----------|-----|
| Burial Fees and Cemetery Lot Sales | \$ 850    |     |
| Other Services                     | <u>20</u> | 870 |
| Total Charges for Services         |           |     |

INTEREST AND RENTS

|                   |  |       |
|-------------------|--|-------|
| Interest Earnings |  | 1,376 |
|-------------------|--|-------|

OTHER REVENUES

|               |  |              |
|---------------|--|--------------|
| Miscellaneous |  | <u>8,692</u> |
|---------------|--|--------------|

|                |  |                          |
|----------------|--|--------------------------|
| TOTAL REVENUES |  | \$ <u><u>298,630</u></u> |
|----------------|--|--------------------------|

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2004

LEGISLATIVE

Township Board

Personal Services

Salaries and Wages

\$ 6,020

Supplies

Office Supplies

129

Other Services and Charges

Communications

1,609

Rent

556

Dues and Fees

1,731

Contracted Services

6,564

Miscellaneous - Other

178

Total Legislative

\$ 16,787

GENERAL GOVERNMENT

Supervisor

Personal Services

Salaries and Wages

\$ 10,610

Other Services and Charges

Transportation and Expense

641

\$ 11,251

Assessor

Supplies

Office Supplies

\$ 2,267

Other Services and Charges

Contracted Services

33,616

Printing and Publishing

2,681

Repairs

411

38,975

Attorney

Other Services and Charges

Contracted Services

\$ 8,804

Printing and Publishing

1,056

9,860

Clerk

Personal Services

Salaries and Wages

\$ 11,850

Salaries and Wages - Deputy

305

Supplies

Office Supplies

1,146

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2004

|                             |           |  |         |
|-----------------------------|-----------|--|---------|
| Other Services and Charges  |           |  |         |
| Contracted Services         | 315       |  |         |
| Repairs and Maintenance     | 895       |  |         |
| Transportation and Expense  | 85        |  |         |
| Miscellaneous               | 300       |  | 14,896  |
|                             |           |  |         |
| Board of Review             |           |  |         |
| Personal Services           |           |  |         |
| Salaries and Wages          |           |  | 1,030   |
|                             |           |  |         |
| Treasurer                   |           |  |         |
| Personal Services           |           |  |         |
| Salaries and Wages          | \$ 20,754 |  |         |
| Salaries and Wages - Deputy | 155       |  |         |
| Supplies                    |           |  |         |
| Office Supplies             | 5,170     |  |         |
| Other Services and Charges  |           |  |         |
| Contracted Services         | 2,026     |  |         |
| Travel                      | 323       |  |         |
| Miscellaneous               | 206       |  |         |
| Printing and Publishing     | 60        |  |         |
| Repair and Maintenance      | 340       |  | 29,034  |
|                             |           |  |         |
| Building and Grounds        |           |  |         |
| Supplies                    |           |  |         |
| Operating Supplies          | \$ 14     |  |         |
| Other Services and Charges  |           |  |         |
| Contracted Services         | 1,561     |  |         |
| Public Utilities            | 1,252     |  |         |
| Repair and Maintenance      | 500       |  | 3,327   |
|                             |           |  |         |
| Cemetery                    |           |  |         |
| Other Services and Charges  |           |  |         |
| Contracted Services         | \$ 7,650  |  |         |
| Printing and Publishing     | 295       |  | 7,945   |
|                             |           |  |         |
| Conservation Activities     |           |  |         |
| Other Services and Charges  |           |  |         |
| Contracted Services         | \$ 7,679  |  |         |
| Printing and Publishing     | 180       |  | 7,859   |
|                             |           |  |         |
| Total General Government    |           |  | 124,177 |



LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES  
FOR THE YEAR ENDED MARCH 31, 2004

PUBLIC SAFETY

Fire Department

Other Services and Charges

Fire Runs

\$ 1,800

Contracted Services

600

2,400

Ordinance Enforcement

Personal Services

Salaries and Wages

85

Total Public Safety

2,485

PUBLIC WORKS

Highways, Streets and Bridges

Other Services and Charges

Repairs and Maintenance

\$ 42,777

Street Lighting

Other Services and Charges

Utilities

8,562

Total Public Works

51,339

RECREATION AND CULTURAL

Recreation and Parks

Other Services and Charges

Contracted Services

1,350

OTHER FUNCTIONS

Insurance and Bonds

\$ 4,976

Employee Benefits

Medicare and Social Security

579

Pension Contribution

5,648

Other Services and Charges

Contracted Services

3,005

Total Other Functions

14,208

TOTAL EXPENDITURES

\$ 210,346

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET  
MARCH 31, 2004

|                                      | <u>ASSETS</u>                       | <u>FIRE</u> | <u>IMPROVEMENT<br/>REVOLVING</u> | <u>TOTALS</u> |
|--------------------------------------|-------------------------------------|-------------|----------------------------------|---------------|
| Cash                                 |                                     |             |                                  |               |
| Money Market Account                 |                                     | \$ 43,315   | \$ 255,021                       | \$ 298,336    |
| Taxes Receivable                     |                                     | 3,880       | 0                                | 3,880         |
| Interfund Receivable                 |                                     | 0           | 151,455                          | 151,455       |
|                                      |                                     |             |                                  |               |
| TOTAL ASSETS                         |                                     | \$ 47,195   | \$ 406,476                       | \$ 453,671    |
|                                      |                                     |             |                                  |               |
|                                      | <u>LIABILITIES AND FUND BALANCE</u> |             |                                  |               |
|                                      |                                     |             |                                  |               |
| <u>LIABILITIES</u>                   |                                     |             |                                  |               |
| Deferred Revenue                     |                                     | \$ 62       | \$ 0                             | \$ 62         |
|                                      |                                     |             |                                  |               |
| <u>FUND BALANCE</u>                  |                                     |             |                                  |               |
| Reserved for Fire Protection         |                                     | 47,133      | 0                                | 47,133        |
| Unreserved                           |                                     |             |                                  |               |
| Designated for Township Improvements |                                     | 0           | 406,476                          | 406,476       |
|                                      |                                     |             |                                  |               |
| TOTAL LIABILITIES AND FUND BALANCE   |                                     | \$ 47,195   | \$ 406,476                       | \$ 453,671    |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2004

|   | FIRE      | IMPROVEMENT<br>REVOLVING | TOTALS     |
|---|-----------|--------------------------|------------|
| <u>REVENUES</u>   |           |                          |            |
| Taxes   | \$ 44,316 | \$ 0                     | \$ 44,316  |
| Interest  | 57        | 3,349                    | 3,406      |
| Total Revenues  | \$ 44,373 | \$ 3,349                 | \$ 47,722  |
| <u>EXPENDITURES</u>   |           |                          |            |
| Public Safety   | 23,509    | 0                        | 23,509     |
| Excess of Revenues Over (Under) Expenditures  | \$ 20,864 | \$ 3,349                 | \$ 24,213  |
| <u>OTHER FINANCING SOURCES (USES)</u>   |           |                          |            |
| Operating Transfers In (Out)  |           |                          |            |
| General Fund  | 0         | 100,000                  | 100,000    |
| Excess of Revenues and Other<br>Financing Sources Over (Under)<br>Expenditures and Other Uses | \$ 20,864 | \$ 103,349               | \$ 124,213 |
| <u>FUND BALANCE</u> - Beginning of Year   | 26,269    | 303,127                  | 329,396    |
| <u>FUND BALANCE</u> - End of Year   | \$ 47,133 | \$ 406,476               | \$ 453,609 |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

FIRE FUND

BALANCE SHEET  
MARCH 31, 2004

ASSETS

|                      |                  |
|----------------------|------------------|
| Cash                 |                  |
| Money Market Account | \$ 43,315        |
| Taxes Receivable     | <u>3,880</u>     |
| TOTAL ASSETS         | \$ <u>47,195</u> |

LIABILITIES AND FUND BALANCE

|                                    |                  |
|------------------------------------|------------------|
| <u>LIABILITIES</u>                 |                  |
| Deferred Revenue                   | \$ 62            |
| <u>FUND BALANCE</u>                |                  |
| Reserved for Fire Protection       | <u>47,133</u>    |
| TOTAL LIABILITIES AND FUND BALANCE | \$ <u>47,195</u> |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

FIRE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

|  | <u>BUDGET</u> | <u>ACTUAL</u> |
|--|---------------|---------------|
| <u>REVENUES</u>                              |               |               |
| Taxes  |               |               |
| Current Tax                                  | \$ 42,000     | \$ 44,307     |
| Delinquent Tax                               |               |               |
| Including Interest                           | 0             | 9             |
| Interest and Rents                           |               |               |
| Interest Earnings                            | 300           | 57            |
| Total Revenues                               | \$ 42,300     | \$ 44,373     |
| <u>EXPENDITURES</u>                          |               |               |
| Public Safety                                |               |               |
| Aid to Other Government                      | 41,000        | 23,509        |
| Excess of Revenues Over (Under) Expenditures | \$ 1,300      | \$ 20,864     |
| <u>FUND BALANCE</u> - Beginning of Year      | 42,000        | 26,269        |
| <u>FUND BALANCE</u> - End of Year            | \$ 43,300     | \$ 47,133     |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

IMPROVEMENT REVOLVING FUND

BALANCE SHEET  
MARCH 31, 2004

ASSETS

|                      |                   |
|----------------------|-------------------|
| Cash                 |                   |
| Money Market Account | \$ 255,021        |
| Interfund Receivable | <u>151,455</u>    |
| TOTAL ASSETS         | \$ <u>406,476</u> |

LIABILITIES AND FUND BALANCE

|                                      |                   |
|--------------------------------------|-------------------|
| <u>LIABILITIES</u>                   | \$ 0              |
| <u>FUND BALANCE</u>                  |                   |
| Designated for Township Improvements | <u>406,476</u>    |
| TOTAL LIABILITIES AND EQUITY         | \$ <u>406,476</u> |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

IMPROVEMENT REVOLVING FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

|   | <u>BUDGET</u>     | <u>ACTUAL</u>     |
|---|-------------------|-------------------|
| <u>REVENUES</u>   |                   |                   |
| Interest and Rents  |                   |                   |
| Interest Earnings   | \$ 2,000          | \$ 3,349          |
| <u>EXPENDITURES</u>   | <u>0</u>          | <u>0</u>          |
| Excess of Revenues Over (Under) Expenditures  | \$ 2,000          | \$ 3,349          |
| <u>OTHER FINANCING SOURCES (USES)</u>   |                   |                   |
| Operating Transfer In (Out)   |                   |                   |
| General Fund  | <u>10,000</u>     | <u>100,000</u>    |
| Excess of Revenues and Other Financing<br>Sources Over (Under) Expenditures<br>and Other Uses | \$ 12,000         | \$ 103,349        |
| <u>FUND BALANCE</u> - Beginning of Year   | <u>187,000</u>    | <u>303,127</u>    |
| <u>FUND BALANCE</u> - End of Year   | <u>\$ 199,000</u> | <u>\$ 406,476</u> |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

DEBT SERVICE FUNDS

COMBINING BALANCE SHEET  
MARCH 31, 2004

| <u>ASSETS</u>                         | SEWER<br>PROJECT #2 | SEWER<br>PROJECT #3 | SEWER<br>PROJECT #4 | TOTALS     |
|---------------------------------------|---------------------|---------------------|---------------------|------------|
| Cash                                  |                     |                     |                     |            |
| Money Market Account                  | \$ 1,047            | \$ 19,520           | \$ 173,767          | \$ 194,334 |
| Special Assessments Receivable        | 1,528               | 17,113              | 519,433             | 538,074    |
|                                       |                     |                     |                     |            |
| TOTAL ASSETS                          | \$ 2,575            | \$ 36,633           | \$ 693,200          | \$ 732,408 |
|                                       |                     |                     |                     |            |
| <u>LIABILITIES AND FUND BALANCE</u>   |                     |                     |                     |            |
| <u>LIABILITIES</u>                    |                     |                     |                     |            |
| Interfund Payable                     | \$ 733              | \$ 0                | \$ 0                | \$ 733     |
| Deferred Revenue                      | 0                   | 16,323              | 485,194             | 501,517    |
|                                       |                     |                     |                     |            |
| Total Liabilities                     | \$ 733              | \$ 16,323           | \$ 485,194          | \$ 502,250 |
|                                       |                     |                     |                     |            |
| <u>FUND BALANCE</u>                   |                     |                     |                     |            |
| Reserved for Debt Retirement          | 1,842               | 20,310              | 208,006             | 230,158    |
|                                       |                     |                     |                     |            |
| TOTAL LIABILITIES<br>AND FUND BALANCE | \$ 2,575            | \$ 36,633           | \$ 693,200          | \$ 732,408 |



LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

DEBT SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2004

|   | SEWER<br>PROJECT #2 | SEWER<br>PROJECT #3 | SEWER<br>PROJECT #4 | TOTALS         |
|---|---------------------|---------------------|---------------------|----------------|
| <u>REVENUES</u>   |                     |                     |                     |                |
| Interest  | \$ 13               | \$ 750              | \$ 4,171            | \$ 4,934       |
| Other   | 1,970               | 12,524              | 172,965             | 187,459        |
| Total Revenues  | \$ 1,983            | \$ 13,274           | \$ 177,136          | \$ 192,393     |
| <u>EXPENDITURES</u>   |                     |                     |                     |                |
| Debt Service  | 141                 | 165,626             | 1,101,803           | 1,267,570      |
| Excess of Revenue Over Expenditures<br>(Under) Expenditures                 | \$ 1,842            | \$ (152,352)        | \$ (924,667)        | \$ (1,075,177) |
| <u>OTHER FINANCING SOURCES (USES)</u>                                       |                     |                     |                     |                |
| Operating Transfers In (Out)  |                     |                     |                     |                |
| Sewer Fund  | 0                   | 0                   | 260,000             | 260,000        |
| Excess of Revenues and Other Financing<br>Sources Over (Under) Expenditures | \$ 1,842            | \$ (152,352)        | \$ (664,667)        | \$ (815,177)   |
| <u>FUND BALANCE</u> - Beginning of Year                                     | 0                   | 172,662             | 872,673             | 1,045,335      |
| <u>FUND BALANCE</u> - End of Year   | \$ 1,842            | \$ 20,310           | \$ 208,006          | \$ 230,158     |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #2

BALANCE SHEET  
MARCH 31, 2004

ASSETS

|                                |                 |
|--------------------------------|-----------------|
| Cash                           |                 |
| Money Market Account           | \$ 1,047        |
| Special Assessments Receivable | 1,528           |
|                                | <hr/>           |
| TOTAL ASSETS                   | \$ <u>2,575</u> |

LIABILITIES AND FUND BALANCE

LIABILITIES

|                   |        |
|-------------------|--------|
| Interfund Payable | \$ 733 |
|-------------------|--------|

FUND BALANCE

|                              |              |
|------------------------------|--------------|
| Reserved for Debt Retirement | <u>1,842</u> |
|------------------------------|--------------|

|                                    |                 |
|------------------------------------|-----------------|
| TOTAL LIABILITIES AND FUND BALANCE | \$ <u>2,575</u> |
|------------------------------------|-----------------|

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #2  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2004

REVENUES

Interest

Interest Earnings

\$ 13

Other Revenues

Special Assessments Including Interest

1,970

Total Revenues

\$ 1,983

EXPENDITURES

Debt Service

Interest

141

Excess of Revenues Over (Under) Expenditures

\$ 1,842

FUND BALANCE - Beginning of Year

0

FUND BALANCE - End of Year

\$ 1,842

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #3

BALANCE SHEET  
MARCH 31, 2004

ASSETS

|                                |                  |
|--------------------------------|------------------|
| Cash                           |                  |
| Money Market Account           | \$ 19,520        |
| Special Assessments Receivable | <u>17,113</u>    |
| TOTAL ASSETS                   | <u>\$ 36,633</u> |

LIABILITIES AND FUND BALANCE

LIABILITIES

|                  |           |
|------------------|-----------|
| Deferred Revenue | \$ 16,323 |
|------------------|-----------|

FUND BALANCE

|                              |               |
|------------------------------|---------------|
| Reserved for Debt Retirement | <u>20,310</u> |
|------------------------------|---------------|

|                                    |                  |
|------------------------------------|------------------|
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 36,633</u> |
|------------------------------------|------------------|

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #3  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2004

REVENUES

|  |                  |
|--|------------------|
| Interest                               |                  |
| Interest Earnings                      | \$ 750           |
| Other Revenues                         |                  |
| Special Assessments Including Interest | <u>12,524</u>    |
| Total Revenues                         | <u>\$ 13,274</u> |

EXPENDITURES

|   |                   |
|---|-------------------|
| Debt Service                                    |                   |
| Redemption of Bonds                             | \$ 150,000        |
| Interest on Bonds                               | 14,113            |
| Paying Agent Fees                               | 263               |
| Call Premium - Early Redemption                 | <u>1,250</u>      |
| Total Expenditures                              | <u>\$ 165,626</u> |
| Excess of Revenues Over<br>(Under) Expenditures | \$ (152,352)      |

|   |                |
|---|----------------|
| <u>FUND BALANCE</u> - Beginning of Year | <u>172,662</u> |
|---|----------------|

|                                   |                         |
|-----------------------------------|-------------------------|
| <u>FUND BALANCE</u> - End of Year | <u><u>\$ 20,310</u></u> |
|-----------------------------------|-------------------------|

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #4

BALANCE SHEET  
MARCH 31, 2004

ASSETS

|                                |            |
|--------------------------------|------------|
| Cash                           |            |
| Money Market Account           | \$ 173,767 |
| Special Assessments Receivable | 519,433    |
|                                | <hr/>      |
| TOTAL ASSETS                   | \$ 693,200 |
|                                | <hr/>      |

LIABILITIES AND FUND BALANCE

|                                    |            |
|------------------------------------|------------|
| <u>LIABILITIES</u>                 |            |
| Deferred Revenue                   | \$ 485,194 |
|                                    |            |
| <u>FUND BALANCE</u>                |            |
| Reserved for Debt Retirement       | 208,006    |
|                                    | <hr/>      |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 693,200 |
|                                    | <hr/>      |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

DEBT SERVICE FUND - SEWER PROJECT #4  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2004

REVENUES

|  |                   |
|--|-------------------|
| Interest                               |                   |
| Interest Earnings                      | \$ 4,171          |
| Other Revenues                         |                   |
| Special Assessments Including Interest | <u>172,965</u>    |
| Total Revenues                         | <u>\$ 177,136</u> |

EXPENDITURES

|   |                     |
|---|---------------------|
| Debt Service                                    |                     |
| Redemption of Bonds                             | \$ 967,038          |
| Interest on Bonds                               | 118,444             |
| Paying Agent Fees                               | 400                 |
| Call Premium - Early Redemption                 | <u>15,921</u>       |
| Total Expenditures                              | <u>\$ 1,101,803</u> |
| Excess of Revenues Over<br>(Under) Expenditures | <br>\$ (924,667)    |

OTHER FINANCING SOURCES (USES)

|  |                  |
|--|------------------|
| Operating Transfers In (Out)   |                  |
| Sewer Fund   | <u>260,000</u>   |
| Excess of Revenues Over (Under) Expenditures<br>And Other Financing Sources (Uses) | <br>\$ (664,667) |

|   |                |
|---|----------------|
| <u>FUND BALANCE</u> - Beginning of Year | <u>872,673</u> |
|---|----------------|

|                                   |                          |
|-----------------------------------|--------------------------|
| <u>FUND BALANCE</u> - End of Year | <u><u>\$ 208,006</u></u> |
|-----------------------------------|--------------------------|

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

SEWER FUND

BALANCE SHEET  
MARCH 31, 2004

ASSETS

CURRENT ASSETS

|                      |                  |
|----------------------|------------------|
| Cash                 |                  |
| Commercial Account   | \$ 4,929         |
| Receivables          |                  |
| Accounts             | 7,362            |
| Total Current Assets | \$ <u>12,291</u> |

RESTRICTED ASSETS

|                            |                  |
|----------------------------|------------------|
| Money Market Accounts      |                  |
| Consumer Debt Service Fund | \$ 24,401        |
| Expansion Fund             | 20,936           |
| Total Restricted Assets    | \$ <u>45,337</u> |

PROPERTY, PLANT AND EQUIPMENT

|                         |                  |
|-------------------------|------------------|
| Machinery and Equipment | \$ 45,860        |
| Sewer System            | <u>4,696,858</u> |
| Total                   | \$ 4,742,718     |

|                                   |                     |
|-----------------------------------|---------------------|
| Less Accumulated Depreciation     | <u>841,658</u>      |
| Net Property, Plant and Equipment | \$ <u>3,901,060</u> |

|              |                            |
|--------------|----------------------------|
| TOTAL ASSETS | \$ <u><u>3,958,688</u></u> |
|--------------|----------------------------|



LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

SEWER FUND

BALANCE SHEET  
MARCH 31, 2004

LIABILITIES AND EQUITY

LIABILITIES

|                    |                   |
|--------------------|-------------------|
| Accounts Payable   | \$ 1,240          |
| Deferred Revenue   | 1,989             |
| Due to Other Funds | 151,455           |
| Total Liabilities  | <u>\$ 154,684</u> |

EQUITY

|                     |                     |
|---------------------|---------------------|
| Contributed Capital | \$ 3,461,514        |
| Retained Earnings   | 342,490             |
| Total Equity        | <u>\$ 3,804,004</u> |

|                              |                     |
|------------------------------|---------------------|
| TOTAL LIABILITIES AND EQUITY | <u>\$ 3,958,688</u> |
|------------------------------|---------------------|

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

SEWER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
FOR THE YEAR ENDED MARCH 31, 2004

OPERATING REVENUES

|                          |            |
|--------------------------|------------|
| Charges for Services     |            |
| Sewer Use Charges        | \$ 89,290  |
| Connection Charges       | 31,575     |
| Trunkage Fees            | 3,100      |
| Other Revenue            |            |
| Land Rent                | 3,500      |
| Reimbursements           | 144        |
| Miscellaneous            | 2,216      |
|                          | <hr/>      |
| Total Operating Revenues | \$ 129,825 |

OPERATING EXPENSES

|                            |          |
|----------------------------|----------|
| Administration and General |          |
| Personal Services          |          |
| Salaries and Wages         | \$ 3,248 |
| Supplies                   |          |
| Office Supplies            | 1,003    |
| Other Services and Charges |          |
| Insurance                  | 9,078    |
| Miscellaneous              |          |
| Bank Fees                  | 55       |
| Plant                      |          |
| Personal Services          |          |
| Salaries and Wages         | 44,342   |
| Fringe Benefits            | 13,743   |
| Supplies                   |          |
| Operating Supplies         | 4,784    |
| Other Services and Charges |          |
| Lab Analysis               | 4,140    |
| Utilities                  | 17,467   |
| Repairs and Maintenance    | 3,409    |
| Contracted Services        | 8,799    |
| Step Units                 | 6,998    |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

SEWER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS  
FOR THE YEAR ENDED MARCH 31, 2004

|  |                       |
|--|-----------------------|
| Miscellaneous  | 2,618                 |
| Depreciation   | <u>90,606</u>         |
| Total Operating Expenses   | \$ <u>210,290</u>     |
| Operating Income (Loss)  | \$ (80,465)           |
| <u>OPERATING TRANSFER (OUT)</u>  |                       |
| Sewer Project #4   | (260,000)             |
| <u>NONOPERATING REVENUES (EXPENSES)</u>  |                       |
| Interest Earnings  | 2,076                 |
| Interest   | <u>(1,397)</u>        |
| Net Income (Loss)  | \$ (339,786)          |
| Depreciation on Fixed Assets Acquired by Grants and<br>Shared Revenues Externally Restricted for Capital<br>Acquisition and Construction that Reduces<br>Contributed Capital | <u>87,089</u>         |
| Increase (Decrease) in Retained Earnings   | \$ (252,697)          |
| <u>RETAINED EARNINGS</u> - Beginning of Year   | <u>595,187</u>        |
| <u>RETAINED EARNINGS</u> - End of Year   | <u><u>342,490</u></u> |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

SEWER FUND

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2004

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

Cash Flows from Operating Activities:

|  |                |
|--|----------------|
| Operating Income (Loss)                      | \$ (80,465)    |
| Adjustments to Reconcile Operating Income to |                |
| Cash Provided by Operating Activities        |                |
| Depreciation                                 | 90,606         |
| (Increase) in Accounts Receivable            | (7,362)        |
| Decrease in Accounts Payable                 | (1,311)        |
| Increase in Deferred Revenue                 | 1,989          |
| Increase in Due to Other Funds               | <u>151,455</u> |

Net Cash Provided by Operating Activities \$ 154,912

Cash Flows from Noncapital Financing Activities:

Transfer to Sewer Project #4 \$ (260,000)

Cash Flows from Capital and Related Financing Activities:

Construction \$ (356,499)

Cash Flows from Investing Activities:

Interest Income 2,076  
Interest Expense (1,397)

Net Increase (Decrease) in Cash and Cash Equivalents \$ (460,908)

CASH AND CASH EQUIVALENTS - Beginning of Year 511,174

CASH AND CASH EQUIVALENTS - End of Year 50,266

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
MARCH 31, 2004

|                             | BALANCE |       |           |           | BALANCE    |           |    |       |
|-----------------------------|---------|-------|-----------|-----------|------------|-----------|----|-------|
|                             | 4/01/03 |       | ADDITIONS |           | DEDUCTIONS | 3/31/04   |    |       |
| <u>ASSETS</u>               |         |       |           |           |            |           |    |       |
| Cash on Deposit             |         |       |           |           |            |           |    |       |
| Commercial Account          | \$      | 2,831 | \$        | 2,895,362 | \$         | 2,898,159 | \$ | 34    |
| Money Market Account        |         | 770   |           | 2,898,750 |            | 2,894,557 |    | 4,963 |
| <hr/>                       |         |       |           |           |            |           |    |       |
| TOTAL ASSETS                | \$      | 3,601 | \$        | 5,794,112 | \$         | 5,792,716 | \$ | 4,997 |
| <hr/>                       |         |       |           |           |            |           |    |       |
| <u>LIABILITIES</u>          |         |       |           |           |            |           |    |       |
| Refund Payable to Taxpayers | \$      | 0     | \$        | 1,450     | \$         | 1,450     | \$ | 0     |
| Due to Other Governments    |         | 0     |           | 2,720,074 |            | 2,720,074 |    | 0     |
| Due to General Fund         |         | 3,601 |           | 178,031   |            | 176,635   |    | 4,997 |
| <hr/>                       |         |       |           |           |            |           |    |       |
| TOTAL LIABILITIES           | \$      | 3,601 | \$        | 2,899,555 | \$         | 2,898,159 | \$ | 4,997 |
| <hr/>                       |         |       |           |           |            |           |    |       |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

|                             |  |              |
|-----------------------------|--|--------------|
| Current Tax Collections     |  | \$ 2,893,164 |
| Dog License Fees            |  | 215          |
| Interest Earnings           |  | 975          |
| Interest and Penalties      |  | 942          |
| Delinquent Tax Collections  |  | 3,874        |
| Overpayments from Taxpayers |  | 385          |
|                             |  | <hr/>        |
| Total Receipts              |  | \$ 2,899,555 |

DISBURSEMENTS

|                                       |            |              |  |
|---------------------------------------|------------|--------------|--|
| Payments to County Treasurer          |            |              |  |
| Current Tax                           | \$ 601,413 |              |  |
| State Education Tax                   | 446,610    |              |  |
| Dog License Fees                      | 209        |              |  |
| Interest and Penalties                | 792        | \$ 1,049,024 |  |
|                                       | <hr/>      |              |  |
| Payments to City Treasurer            |            |              |  |
| Current Tax                           |            |              |  |
| Delinquent Sewer Usage                | \$ 502     |              |  |
| Delinquent Tax Collections            | 331        | 833          |  |
|                                       | <hr/>      |              |  |
| Payments to Township Treasurer        |            |              |  |
| Current Tax                           |            |              |  |
| Operating                             | \$ 106,305 |              |  |
| Delinquent Sewer Assessment and Usage | 29,169     |              |  |
| Fire                                  | 40,448     |              |  |
| Delinquent Tax Collections            | 690        |              |  |
| Dog License Fees                      | 6          | 176,618      |  |
|                                       | <hr/>      |              |  |
| Payments to School Treasurer          |            |              |  |
| Current Tax                           |            |              |  |
| Lake City Area Schools                | \$ 987,460 |              |  |
| McBain Rural Agricultural School      | 149,154    | 1,136,614    |  |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE YEAR ENDED MARCH 31, 2004

|  |              |                        |
|--|--------------|------------------------|
| Payments to Intermediate School Treasurer        |              |                        |
| Current Tax                                      |              | 516,203                |
| Payments to Crooked Lake Improvement Board       |              |                        |
| Current Tax                                      | \$ 15,900    |                        |
| Delinquent Tax                                   | <u>1,500</u> | 17,400                 |
| Checking Supplies                                |              | 17                     |
| Refund of Overpayment to Taxpayers               |              | <u>1,450</u>           |
| Total Disbursements                              |              | <u>2,898,159</u>       |
| Excess of Receipts Over<br>(Under) Disbursements |              | \$ 1,396               |
| <u>LIABILITY</u> - Beginning of Year             |              | <u>3,601</u>           |
| <u>LIABILITY</u> - End of Year                   |              | <u><u>\$ 4,997</u></u> |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

GENERAL FIXED ASSETS GROUP OF ACCOUNTS

STATEMENT OF CHANGES IN GENERAL FIXED ASSETS  
FOR THE YEAR ENDED MARCH 31, 2004

|   | BALANCE<br>4/1/03 | ADDITIONS   | DELETIONS   | BALANCE<br>3/31/04 |
|---|-------------------|-------------|-------------|--------------------|
| <u>GENERAL FIXED ASSETS</u>                   |                   |             |             |                    |
| Land and Land Improvements                    | \$ 9,083          | \$ 0        | \$ 0        | \$ 9,083           |
| Buildings                                     | 45,040            | 0           | 0           | 45,040             |
| Equipment                                     | 31,793            | 0           | 0           | 31,793             |
|   | <u>\$ 85,916</u>  | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 85,916</u>   |
| <u>INVESTMENT IN GENERAL<br/>FIXED ASSETS</u> | <u>\$ 85,916</u>  | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 85,916</u>   |



LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

STATEMENT OF GENERAL LONG-TERM DEBT  
MARCH 31, 2004

AMOUNT AVAILABLE AND TO BE PROVIDED

|   |                |
|---|----------------|
| Amount Available in Debt Service Funds                | \$ 230,158     |
| Amount to be Provided from Debt Service Fund Revenues | <u>789,842</u> |

|                                    |                     |
|------------------------------------|---------------------|
| TOTAL AVAILABLE AND TO BE PROVIDED | \$ <u>1,020,000</u> |
|------------------------------------|---------------------|

LONG-TERM DEBT OUTSTANDING

|                 |                |
|-----------------|----------------|
| 1991 Bond Issue | \$ 60,000      |
| 1993 Bond Issue | <u>960,000</u> |

|                                  |                     |
|----------------------------------|---------------------|
| TOTAL LONG-TERM DEBT OUTSTANDING | \$ <u>1,020,000</u> |
|----------------------------------|---------------------|

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

STATEMENT OF 2003 TAX ROLL  
MARCH 31, 2004

TAXES ASSESSED

|                                       |    |               |              |
|---------------------------------------|----|---------------|--------------|
| County                                | \$ | 659,107       |              |
| County - State Education Tax          |    | 471,418       |              |
| City                                  |    |               |              |
| Delinquent Sewer Usage                |    | 669           |              |
| Township                              |    |               |              |
| Operating                             |    | 116,502       |              |
| Fire                                  |    | 44,328        |              |
| Delinquent Sewer Assessment and Usage |    | 44,148        |              |
| Schools                               |    |               |              |
| Lake City Area Schools                |    | 1,066,030     |              |
| McBain Rural Agricultural Schools     |    | 160,738       |              |
| Intermediate School                   |    |               |              |
| Wexford-Missaukee                     |    | 565,724       |              |
| Crooked Lake Improvement Board        |    | <u>17,250</u> | \$ 3,145,914 |

TAXES COLLECTED

|                                       |    |               |                  |
|---------------------------------------|----|---------------|------------------|
| County                                | \$ | 601,413       |                  |
| County - State Education Tax          |    | 446,610       |                  |
| City                                  |    |               |                  |
| Delinquent Sewer Usage                |    | 502           |                  |
| Township                              |    |               |                  |
| Operating                             |    | 106,305       |                  |
| Fire                                  |    | 40,448        |                  |
| Delinquent Sewer Assessment and Usage |    | 29,169        |                  |
| Schools                               |    |               |                  |
| Lake City Area Schools                |    | 987,460       |                  |
| McBain Rural Agricultural Schools     |    | 149,154       |                  |
| Intermediate School                   |    |               |                  |
| Wexford-Missaukee                     |    | 516,203       |                  |
| Crooked Lake Improvement Board        |    | <u>15,900</u> | <u>2,893,164</u> |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

STATEMENT OF 2003 TAX ROLL  
MARCH 31, 2004

TAXES RETURNED DELINQUENT

|                                       |    |        |                   |
|---------------------------------------|----|--------|-------------------|
| County                                | \$ | 57,694 |                   |
| County - State Education Tax          |    | 24,808 |                   |
| City                                  |    |        |                   |
| Delinquent Sewer Usage                |    | 167    |                   |
| Township                              |    |        |                   |
| Operating                             |    | 10,197 |                   |
| Fire                                  |    | 3,880  |                   |
| Delinquent Sewer Assessment and Usage |    | 14,979 |                   |
| Schools                               |    |        |                   |
| Lake City Area Schools                |    | 78,570 |                   |
| McBain Rural Agricultural Schools     |    | 11,584 |                   |
| Intermediate School                   |    |        |                   |
| Wexford-Missaukee                     |    | 49,521 |                   |
| Crooked Lake Improvement Board        |    | 1,350  |                   |
|                                       |    |        | \$ <u>252,750</u> |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

STATEMENT OF 1991 BONDS PAYABLE  
MARCH 31, 2004

|   |   |
|---|---|
| <u>TITLE</u>                                | Lake Township Trunkline Extension No. 1 Sanitary Drainage District Drain Bonds  |
| <u>PURPOSE</u>                              | The bonds were issued pursuant to the provisions of Chapter 20, of Act No. 40 Public Acts of Michigan, 1956, as amended. The bonds were issued for locating, establishing and constructing the Lake Township Trunkline Extension No. 1 Sanitary Drain in the County of Missaukee. |
| <u>DATE OF ISSUE</u>                        | August 1, 1991  |
| <u>AMOUNT OF ISSUE</u>                      | \$465,000   |
| <u>INTEREST RATES</u>                       | 7.25%   |
| <u>BALANCE OUTSTANDING</u>                  | \$ 465,000  |
| Amount Redeemed Prior Years                 | \$ 255,000  |
| Amount Redeemed During Current Year         | <div style="display: flex; justify-content: space-between;"> <span>150,000</span> <span>405,000</span> </div>   |
| <u>BALANCE OUTSTANDING - March 31, 2004</u> | \$ <u>60,000</u>  |

| <u>DUE DATES</u> | <u>REQUIREMENTS</u> |                 |              |
|------------------|---------------------|-----------------|--------------|
|                  | <u>PRINCIPAL</u>    | <u>INTEREST</u> | <u>TOTAL</u> |
| May 1, 2004      | \$ 0                | \$ 2,175        | \$ 2,175     |
| November 1, 2004 |                     | 2,175           | 2,175        |
| May 1, 2005      | 0                   | 2,175           | 2,175        |
| November 1, 2005 |                     | 2,175           | 2,175        |
| May 1, 2006      | 0                   | 2,175           | 2,175        |
| November 1, 2006 |                     | 2,175           | 2,175        |
| May 1, 2007      | 0                   | 2,175           | 2,175        |
| November 1, 2007 |                     | 2,175           | 2,175        |
| May 1, 2008      | 0                   | 2,175           | 2,175        |
| November 1, 2008 |                     | 2,175           | 2,175        |
| May 1, 2009      | 30,000              | 2,175           | 32,175       |
| November 1, 2009 |                     | 1,087           | 1,087        |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

STATEMENT OF 1991 BONDS PAYABLE  
MARCH 31, 2004

| <u>DUE DATES</u> | <u>REQUIREMENTS</u> |                  |                  |
|------------------|---------------------|------------------|------------------|
|                  | <u>PRINCIPAL</u>    | <u>INTEREST</u>  | <u>TOTAL</u>     |
| May 1, 2010      | 30,000              | 1,088            | 31,088           |
|                  | <u>\$ 60,000</u>    | <u>\$ 26,100</u> | <u>\$ 86,100</u> |

PRIOR REDEMPTION

Bonds maturing on and after May 1, 2002, shall be subject to redemption prior to maturity at the option of the Drainage District in such order as shall be determined by the Drainage District, on any one or more interest payment dates on and after May 1, 2001. Bonds of a denomination greater than \$5,000 may be partially redeemed in the amount of \$5,000 or any integral multiple thereof. The redemption price shall be the par value of the bond or portion of the bond called to be redeemed plus interest to the date fixed for redemption and a premium as follows:

2% of the par value if called for redemption on or after May 1, 2001, but prior to May 1, 2002;

1% of the par value if called for redemption on or after May 1, 2002, but prior to May 1, 2005;

0.5% of the par value if called for redemption on or after May 1, 2005, but prior to May 1, 2007;

No premium if called for redemption on or after May 1, 2007.

Not less than thirty days notice of redemption shall be given to the registered owners of the bonds called to be redeemed by mail to each registered owner at the registered address. Bonds or portions of bonds so called for redemption shall not bear interest on and after the date fixed for redemption, provided funds are on hand with the bond registrar and paying agent to redeem the same.

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

STATEMENT OF 1993 BONDS PAYABLE  
MARCH 31, 2004

|   |   |
|---|---|
| <u>TITLE</u>                                | Missaukee Sanitary Drainage District No. 2 Drain Bonds  |
| <u>PURPOSE</u>                              | The bonds were issued under the provisions of Chapter 20, of Act No. 40 Public Acts of Michigan, 1956, as amended. The bonds were issued to defray the cost of locating, establishing and constructing the Missaukee Sanitary Drain No. 2 in the County of Missaukee. |
| <u>DATE OF ISSUE</u>                        | July 1, 1993  |
| <u>AMOUNT OF ISSUE</u>                      | \$3,625,938   |
| <u>INTEREST RATES</u>                       | 5.00%   |
| <u>BALANCE OUTSTANDING</u>                  | \$ 3,625,938  |
| Amount Redeemed Prior Years                 | \$ 1,698,900  |
| Amount Redeemed During Current Year         | <div style="display: flex; justify-content: space-between;"> <span>967,038</span> <span>2,665,938</span> </div>   |
| <u>BALANCE OUTSTANDING - March 31, 2004</u> | <u>\$ 960,000</u>   |

| <u>DUE DATES</u> | <u>REQUIREMENTS</u> |                   |                     |
|------------------|---------------------|-------------------|---------------------|
|                  | <u>PRINCIPAL</u>    | <u>INTEREST</u>   | <u>TOTAL</u>        |
| May 1, 2004      | \$ 0                | \$ 24,000         | \$ 24,000           |
| November 1, 2004 |                     | 24,000            | 24,000              |
| May 1, 2005      | 0                   | 24,000            | 24,000              |
| November 1, 2005 |                     | 24,000            | 24,000              |
| May 1, 2006      | 0                   | 24,000            | 24,000              |
| November 1, 2006 |                     | 24,000            | 24,000              |
| May 1, 2007      | 40,000              | 24,000            | 64,000              |
| November 1, 2007 |                     | 23,000            | 23,000              |
| May 1, 2008      | 225,000             | 23,000            | 248,000             |
| November 1, 2008 |                     | 17,375            | 17,375              |
| May 1, 2009      | 225,000             | 17,375            | 242,375             |
| November 1, 2009 |                     | 11,750            | 11,750              |
| May 1, 2010      | 230,000             | 11,750            | 241,750             |
| November 1, 2010 |                     | 6,000             | 6,000               |
| May 1, 2011      | 240,000             | 6,000             | 246,000             |
|                  | <u>\$ 960,000</u>   | <u>\$ 284,250</u> | <u>\$ 1,244,250</u> |

LAKE TOWNSHIP, MISSAUKEE COUNTY  
LAKE CITY, MICHIGAN

STATEMENT OF 1993 BONDS PAYABLE  
MARCH 31, 2004

PRIOR REDEMPTION

Bonds of this issue maturing in the years 1994 to 2002, inclusive, shall not be subject to redemption prior to maturity. Bonds in multiples of \$5,000 of this issue maturing in the years 2003 to 2011, inclusive, shall be subject to redemption prior to maturity at the option of the District in such order as the District shall determine, on any interest payment date on or after May 1, 2002, at par plus accrued interest to the date fixed for redemption, plus a premium expressed as a percentage of par as follows:

2% of the par value of each bond called for redemption on or after May 1, 2002, but prior to May 1, 2004;

1% of the par value of each bond called for redemption on or after May 1, 2004, but prior to May 1, 2006;

No premium if called for redemption on or after May 1, 2006.

In case less than the full amount of an outstanding bond is presented for redemption, the Bond Registrar, upon presentation of the bond called for redemption, shall register, authenticate and deliver to the registered owner of record new bonds in the principal amount of the portion of the original bond not called for redemption.

The Bonds are transferable only upon the books of the District kept for that purpose at the office of the Bond Registrar by the Registered Owner thereof in person, or by his attorney duly authorized in writing, upon the surrender of such Bond together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the Registered Owner or his attorney duly authorized in writing, and thereupon a new registered Bond or Bonds in the same aggregate principal amount and of the same interest rate and maturity shall be issued to the transferee in exchange therefor as provided in the resolution authorizing the Bonds, and upon the payment of the charges, if any, therein prescribed.

*Baird, Cotter and Bishop, P.C.*

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER, C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

May 13, 2004

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Lake Township  
Missaukee County  
Lake City, Michigan

During the course of our audit of the general-purpose financial statements of Lake Township for the year ended March 31, 2004, we noted the following items:

Reportable Condition in Internal Controls

As part of our audit of the Township, we considered the internal control structure in order to determine our auditing procedures. We are issuing a separate letter which addresses reportable conditions.

Computerized Recordkeeping

We noticed considerable improvement in the records on the computer.

GASB 34

The Governmental Accounting Board has issued statement number 34 which significantly changes the financial statement presentation for governmental entities following accounting principles generally accepted in the United States of America. We will assist the Township in determining the effect of GASB 34 on its financial statements when the implementation date of March 31, 2005, comes closer.

Change in Basis of Accounting

In anticipation of implementing GASB 34, the Township has changed its basis of accounting from modified cash to modified accrual for the year ended March 31, 2004.



We would like to thank the board for awarding our firm the audit assignment of the Township and to thank the Township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter and Bishop P.C.

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

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May 13, 2004

LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Lake Township  
Missaukee County  
Lake City, Michigan

In planning and performing our audit of the general-purpose financial statements of Lake Township, Missaukee County, Lake City, Michigan for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the State make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter and Bishop, P.C.